



AGRIBUSINESS

# Field Notes

Weekly news update from the KPMG Agribusiness network



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Agenda 2020**

**03 September 2020** – This week's headlines



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## Forgotten Innovation

Innovation is an exciting word, it brings thoughts of inspiring ideas, creative thinking and new technologies.

These days, most organisations will have the word innovation embedded within the first few sentences of their website, if not in their mission, vision or values.

Perhaps it's this ubiquitous use of the word which has resulted in the narrowing of its scope in New Zealand.

Business innovation in our food and fibre sector is often viewed solely through the lens of product innovation. We see innovation as new and unique creations, enhanced functionality, or added properties. Throughout the country we have some excellent examples of innovative food products, from expertly developed kiwifruit cultivars of Zespri and Plant & Food Research, to neuro-enhancing beverages like Ārepa.

We can be proud of the premium we attract in the export of many of our products, which comes from a combination of quality systems, meaningful scientific research and creative thinking. But perhaps the forgotten innovation, is what we wrap around our products, (which includes but is not limited to, its packaging!)

There are multiple ways to attract premium prices through business innovation that appear to be dismissed, ignored, or forgotten.

- 1) How a product is purchased
- 2) How a product is delivered
- 3) How a product is packaged
- 4) How a product is bundled
- 5) How a product is supported post-purchase

Let's use the kiwifruit as an example. I purchase a kiwifruit by scanning a QR code on my phone from a label on the last kiwifruit left in my fruit bowl, now I don't have to remember to add it to the shopping list (purchase innovation), the kiwifruit gets delivered by Trade Me's door-to-door delivery network (delivery innovation) in a package that is made from recycled kiwifruit

husk and has my name 'Jack's kiwifruit package' on the top which looks so cool that I decide to post a picture on my social media (package innovation). The package also has a small printed card with a recipe for a marinade and smoothie (bundle innovation) and once delivered, I receive a notification on my phone that I've reached the level of 'kiwifruit king' because I've just ordered my 100th kiwifruit (post-purchase innovation) – I post that on social media too.

I'm going to pay a lot more for that kiwifruit, and I'll certainly be staying loyal to the brand, it becomes more than a fruit I grabbed amongst 10 others at the supermarket, into a part of my everyday life – I get excited for the next time I'm ordering kiwifruit.

Yet this is just the beginning, there are numerous other 'forgotten' innovations, which include opportunities to extract additional value from a business's network and how its operations are structured, or innovation in how your offering interacts with other products and services. Take a step back, and consider every individual component of your business, there are opportunities for innovation everywhere.

Sometimes innovation doesn't need to take multiple years and millions of dollars of research and development, but a premium can be added with some extra creative thinking to surprise and excite our consumers.

However, even with product innovation, in New Zealand we often put a ceiling above our own heads, despite plenty of opportunity to reach for the clouds. Sometimes that ceiling is through something as simple as pricing – which Andrew Watene covered excellently in his recent article here. Or sometimes, it's through limiting our initial concepts of what a product can become to a consumer.

We spend significant time and resource developing innovations that may provide a 10%, 20% or even 50% premium, and we are often successful. But it's very rare that we consider the opportunities to innovate for a 500%, 1000%

or 10,000% premium, targeting niche nutraceutical markets or specialised medicinal products. There are a few examples of this such as ultra-high UMF medical manuka honey, but these examples are few and far between. It would be excellent to see more of New Zealand's abundant, unique and exclusive flora and fauna explored for properties that would excite our export markets.

Rather than that kiwifruit delivery jumping from \$5 to \$10 because of the added innovations, perhaps that kiwifruit delivery could be valued at \$50, because it actually contains a concentrated kiwifruit health tonic, with native horopito for added benefits and flavour – A Kiwifruit Flame Shot!

The word innovation is exciting, but let's remember that the excitement of innovation can extend throughout the entire value chain, from the raw material of the product, to our connection with a consumer even after a product has gone. And when we are focused on product innovation, let's make sure we don't limit our thinking, especially before we've even started.

### **Jack Keeyes**

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## Agribusiness

[Pilots fly to the rescue for heavy agriculture industry](#) [27 August, NZ Herald]

The New Zealand Air Line Pilots' Association (NZALPA) has surveyed its members and identified transferable skills of pilots that could help fill some gaps of machinery operators needed in the agriculture sector. "By matching skills and the New Zealand Transport Agency licences pilots already hold, we've found almost 200 opportunities for pilots to put their skills to use with land-based machinery and do their bit for New Zealand's essential agriculture economy," NZALPA Medical and Welfare Director, Andy Pender said.

[Landcorp reports \\$24 million loss as Covid-19 hits deer and dairy assets](#) [28 August, Stuff NZ]

State-owned enterprise Landcorp Pāmu has reported a \$24 million loss for the year ending June 30, which is a greater loss than the \$11m loss reported last year. Pāmu reported its EBITDA at \$65m and its revenue at \$251m, stating revenue increases were driven by the increased value of milk and livestock revenue. Covid-19 had a negative impact on the year-end values for Pāmu's 86,000 deer, a result of its high reliance on the food-service sector.



## Agri-Tech

[Collars on cows, virtual fences, the future of dairy farming hits Waikato](#) [31 August, Stuff]

A farm in Morrinsville has been testing out new GPS-enabled collars for cows that could lead to fenceless farming. A select number of Waikato dairy farms are the first cohort to try out the locally developed software, Halter. The 26-year-old founder Craig Piggott says the collar guides the cows around the farm by sounds and vibration cues, and it can sense major events like sickness and send it back to the farmer via the Halter app. Mr Piggott is keen for this remote farming initiative to expand to nationwide, and dairy farms can expect Halter to roll out to other regions by next year.



## Alternative Proteins

[Hemp-based meat: New Zealand firm eyes 2021 launch for minimally processed, sustainable new product](#) [25 August, Food Navigator]

New Zealand alternative protein firm Sustainable Foods, partnered with medical cannabis producer Greenfern Industries, and is planning to launch its hemp-based meat analogues in 2021. Co-founder Kyran Rei said the product will have higher consumable protein and dietary fibre content than that of animal-based products due to the nature of hemp.



## Apiculture

[NZ Story honey initiative 'a good start'](#) [01 September, Farmers Weekly]

Funded in part through Trade and Enterprise, The NZ Honey Story is a project made available to producers marketing honey to overseas customers through open source materials including videos, infographics and presentations. Apiculture New Zealand chief executive Karin Kos said the project is a good start, but it needs a broader industry-wide effort to promote NZ honey.



## Aquaculture

[Iwi aquaculture: Waiariki hui to discuss areas for expansion](#) [27 August, NZ Herald]

Iwi leaders from across the Waiariki region had a meeting to discuss development opportunities for their combined fisheries assets. Commissioned by Ngā Iwi I te Rohe o Te Waiariki, a report identifying potential aquaculture opportunities for the Waiariki region will be released at the hui in Rotorua. The report identifies potential areas for expansion, including the development of aquaculture hatcheries, technology, co-operative models, workforce training and a brand that leverages traceability and Māori identity. This is an effort to make the Bay of Plenty Māori aquaculture industry sustainable, resilient and world-class.

[NZ King Salmon within guidance, sales down in stormy Covid waters](#) [27 August, NZ Herald]

NZ King Salmon, the world's biggest producer of premium king salmon, has posted its financial results for the year ended June 30, and delivered an operating EBITDA of \$25.1m, just within the guidance of \$25-\$28.5m despite a 50% drop in sales revenue during the level 4 lockdown in response to Covid-19. No final dividend will be paid due to Covid-19 uncertainty to ensure prudent cash availability.



## Dairy

[Fonterra's manufacturing plants remain on higher alert through to winter 2021](#) [28 August, Stuff NZ]

Fonterra co-operative group is taking extra precaution at the manufacturing sites with the peak milking season approaches. Warren Baddeley, the company's upper North Island general manager, said their manufacturing sites would continue to work at level 2 or higher even if the government moved the alert level down. Fonterra has protection measures including admin staff mostly working from home, distancing in offices, temperature tests, sanitation stations and extra clearing services, travel on approval and other precautionary policies in place.

['More rare than winning Lotto': Hauraki cow gives birth to four healthy heifers](#) [30 August, Stuff NZ]

A farm in rural Hauraki has proven itself extra fertile with quadruplet heifers born through natural mating on the farm. This is a very rare chance said to be less than a one in 11 million based on international news reports. "There's a better chance winning the lottery than there is to have four calves, and Lotto would be nice but to have four calves is pretty awesome," said Matthew Fisher who carried out the calving.



## Environment & Emissions

[Carbon certification opens opportunities](#) [27 August, Farmers Weekly]

Toitu Envirocare developed a new farm carbon certification programme aimed at helping farmers utilise information to take advantage of the market opportunity for sustainable products and to position themselves ahead of government regulations. The certification programme will enable farmers to quantify and verify their performance regarding carbon emissions.



## Food Innovation

[Creating Opportunities For New Zealanders With Hemp](#) [27 August, Scoop Business]

Hemp has many positive properties and environmental benefits, and it could be used to create unique new products, said Webtools Agritech CEO Melissa Baer. Christchurch NZ, in collaboration with New Zealand Hemp Industries Association, Webtools Agritech, and Hempstastic, are hosting the “Hemp Ideation Challenge” from 5-18 September 2020, open nationwide to anyone keen to participate either in-person or virtually. The challenge is seen as an opportunity to create high value products for the emerging hemp industry in New Zealand.

[Lewis Road to sell milk with added collagen, as demand for 'functional food' grows](#) [31 August, Stuff NZ]

Lewis Road Creamery is adding collagen to its new fresh milk product, which is available from August 31 at a cost of \$5 for 750ml. Lewis Road general manager Nicky O'Rourke says the company has noticed the growing consumer demand for greater functional health benefits from existing natural food. Collagen company Jeuneora will provide the bovine collagen, which does not affect the milk's taste or texture, according to Ms O'Rourke.



## Fisheries

[Mussels to be poured on mussel shell reef to revive 'devastated' population](#) [01 September, Stuff NZ]

The Marine Farming Association will place 20 tonnes of live green-lipped mussels atop 12 tonnes of shells at two spots in the Pelorus Sound/Te Hoiere hoping to restore the damaged mussel beds due to overfishing in the past 50 years. This project could help the ecosystem recovery and may also revive the mussel farming industry over time.



## Horticulture

[Hort exports top \\$6.2 billion](#) [26 August, Rural News]

Horticulture exports had a \$720 million year-on-year increase to a record high of \$6.2 billion in the year ended June 2019. The latest edition of annual document *Fresh Facts* shows the total NZ horticulture sector is valued at \$9.5 billion in 2019, with a large contribution from the \$3.4 billion of fresh fruit exports. In 2019, horticultural produce was exported to 130 countries and the top 5 markets are Continental Europe, Australia, the US, China and Japan.

[Scales holds its course](#) [26 August, Farmers Weekly]

Scales Corporation reported first-half results of 2020 remaining consistent compared to the same period in 2019, despite Covid-19 causing delays in its apple picking and packing during this main selling season. The corporation reported underlying net profit after tax at \$29.2 million compared with \$30m in the same period last year, and the underlying earnings before interest and tax at \$44.4m compared with \$47m. Managing director Andy Borland said year-to-date, 20% of the crop still remains to be sold.



## Poultry

[The \\$35 dollar chook: the economics of slow-growing chicken](#) [30 August, Stuff NZ]

Animal welfare concerns call for the more humane production method of slow-growing chicken, but experts say it could result in the price tripling from \$12 to \$35 for a typically bought chicken. Lincoln University agricultural economist Bruce Greig says New Zealand production is driven by demand for cheap food so producers usually aim for greater yields per resource input, and that slow-growing breeds consume more feed and increase production overheads hence have higher retail prices. Mr Greig says creating the demand for slow-growing chicken would require educated and convinced consumers willing to pay premium prices.



## Red Meat

[Silver Fern Farms, Marx Foods, And Beef + Lamb Collaborate To Launch Online Delivery Sampler Boxes](#) [27 August, Scoop Business]

With more online grocery shopping and the growing demand for premium, safe and responsibly-raised red meat, a new line of Angus beef sampler boxes is being launched for online purchase in the US by Silver Fern Farms and Beef + Lamb New Zealand, in collaboration with their US distribution partner Marx Foods. The pandemic has seen a 77% increase in US consumers e-commerce spending to \$82.5 billion in May 2020, and experts predict the trend will continue following Covid-19.

[Red meat sector issues pointers for politicians](#) [31 August, The Country]

Meat Industry Association and Beef + Lamb NZ jointly published the [New Zealand Red Meat Report](#), which highlights several strengths of the red meat sector for the political parties, including the creation of over 92,000 jobs and nearly \$12 billion in industry value added each year. The report pointed out the risk to productive farmland from current policies on climate change, and provided recommendations targeting carbon emission by fossil fuel users, and mitigating the impact of dehydrated conditions worsened by climate change by establishing better water storage systems.



## Research & Development

[Kiwi scientists collaborate globally](#) [31 August, Farmers Weekly]

Euphresco, a global organisation for phytosanitary research, recently welcomed New Zealand scientists joining in a collaborative effort, learning and sharing information in the research area. The Ministry for Primary Industries (MPI), supported by Better Border Biosecurity (B3), now belongs to the organisation. Euphresco supports coordination and collaboration around phytosanitary research, with a special respect to the requirements of cross-border trade which is an important factor for NZ agriculture.



## Trade & Exports

[Containers in short supply](#) [31 August, Farmers Weekly]

With the Covid-19 pandemic disrupting the supply chain, there is a short supply of air freight space as well as refrigerated containers to ship New Zealand dairy products to overseas markets, said Datacom's head of supply chain David Ffowcs-Williams. The solution to this problem, Mr Ffowcs-Williams suggested, lies in using data and technology to create greater efficiencies and better linking between demand for export space and availability.



## Rural Communities

[Daughters launch mental health movement after fathers' sudden deaths](#) [30 August, The Country]

22-year-old Grace Curtis launched an online suicide awareness and mental health campaign [Cool Change](#) after the sudden death of her father, aiming to raise conversations around suicide and mental illness as well as dispel the stigma surrounding them. The campaign was created in collaboration with Georgia Harris and Tori Wheelans, whose fathers also died suddenly. They want to raise mental health awareness for New Zealanders and especially for the rural community which needs more assistance in the area.



## Viticulture

[Delegat pours out profit](#) [31 August, Farmers Weekly]

Exports of non-perishable wine cases are performing well despite Covid-19, with strong retail sales offsetting reduced hospitality sales. Wine company Delegat Group has reported a net profit increase of 20% for the 2020 financial year, up \$10 million to \$60.8m. Driven by favourable exchange rate movements and improved margins. Sales increased by 9% and 3,277,000 cases of wine were sold worldwide, with a 23% increase to the UK, Ireland and Europe which reached over one million cases for the first time. This year's grape harvest produced exceptional quality and tonnage increased by 7% from 2019.

['Perfect storm' brewing for Central Otago growers facing Covid-19 labour crisis](#) [28 August, Stuff NZ]

Summerfruit NZ chairman Tim Jones says stone fruit growers in Central Otago have a huge concern over severe labour shortage for orchard work from the lack of seasonal workers due to Covid-19 border restrictions. It is forecasted a shortage of 5500 workers in Central Otago during December and January, and 1500 for the critical thinning period due to start in six weeks. While warning growers about the labour shortage and potential loss, central Otago mayor Tim Cadogan said himself will be picking or packing fruits to help growers.

[Strong Wool Action Group announced](#) [31 August, Farmers Weekly]

The new Strong Wool Action Group has many members who also served in the Wool Industry Project Action Group which in July presented a vision for the strong wool industry to the Agriculture Minister Damien O'Connor. The vision provided three key recommendations with the group members across the primary sector to carry them out. Minister O'Connor said the new group would help the sector collaborate with the government and be an important driving force to deliver the recommendations in the report.



## Wool

[Wool outfits to combine](#) [28 August, Rural News]

The two wool companies that account for around 1/3 of NZ's strong wool clip, Primary Wool Co-Operative (PWC) and Wools of New Zealand (WONZ), have begun formal discussions about combining operations. WONZ chairman James Parsons said the goal is to capture more value for growers by building stronger and more direct relationships with customers. PWC chairman Hamish de Lautour agrees on the merits of the collaboration and believes it will provide functional benefits and help achieve the sales.



## International

[Halal Fresh: UK start-up fills recipe box gap for Muslim communities](#) [26 August, Food Navigator]

Saima Duhare launched a recipe box start-up, Halal Fresh, in April 2019 targeting London's Muslim community. The UK halal food and beverage industry is and will continue to be on the rise according to the Agriculture and Horticulture Development Board. The business is now thriving as the Muslim population and the demand for halal food products grow, with Covid-19 creating further growth to the business.

[New campaign champions environmental benefits of meat](#) [28 August, Food Navigator]

The British Meat Processors Association has launched a new website promoting the environmental benefits of meat consumption, while a growing number of consumers are switching to plant-based diets for environmental reasons. The new website is to differentiate British meat from products of other farming systems, as livestock account for 5.7% of methane emissions in the UK which is much lower than the global average of 14%, according to the BMPA's CEO Nick Allen.

[More than half of Lebanon could face food shortages: UN](#) [31 August, Al Jazeera]

The UN Economic and Social Commission for Western Asia (ESCWA) warned that more than half of Lebanon's population risk failing to access basic food needs in the aftermath of the Beirut port blast on August 4 which killed 188 people. ESCWA executive secretary Rola Dashti urged Lebanon's government to prioritise rebuilding the destroyed grain storage and to take immediate measures to prevent a food crisis.

[Coffee, ketchup and Nike Air Max: it's the COVID consumer economy](#) [01 September, Reuters]

Assistant professor of economics at Northwestern University Piotr Dworczak said the Covid-19 crisis has completely changed consumer behaviours. Based on analysis of a varied basket of goods, Reuters showed the new trend of working from home due to Covid-19 has triggered many changes in the consumer model across industries from clothing to food, according to retail specialists. The combined effects of rising demand for certain items such as coffee and disrupted global supply chain have driven up prices. Work and home spending such as instant coffee, eggs and ketchup increased significantly compared to a year ago in America.

[Marcus Rashford brings food brand giants together to tackle child food poverty](#) [02 September, BBC News]

22-year-old football player Marcus Rashford has formed a taskforce with a group of businesses, supermarkets and charities to propose policy changes to reduce child food poverty in the UK. The proposal calls for government funding for a National Food Strategy which includes three key policy recommendations: to expand free school meals reaching an additional 1.5m children aged 7-16; to expand existing programme of free school meals for all children in England; and to increase the value of the Healthy Start vouchers from £3.10 to £4.25 per week.

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## Organisations referenced in this week's Field Notes include

Apiculture New Zealand

Beef + Lamb New Zealand

British Meat Processors Association

Christchurch NZ

Datacom

Delegat Group

Economic and Social Commission for Western Asia

Euphresco

Greenfern Industries

Halal Fresh

Hemptastic

Lincoln University

Marine Farming Association

Meat Industry Association

New Zealand Hemp Industries Association

Ngā Iwi I te Rohe o Te Waiariki

Northwestern University

NZ King Salmon

Pāmu

Primary Wool Co-Operative

Reuters

Scales Corporation

Silver Fern Farms

Strong Wool Action Group

Sustainable Foods

The New Zealand Air Line Pilots' Association

Toitu Envirocare

Trade and Enterprise

Webtools Agritech

Wool Industry Project Action Group

Wools of New Zealand

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